

Interim Business Report 2021

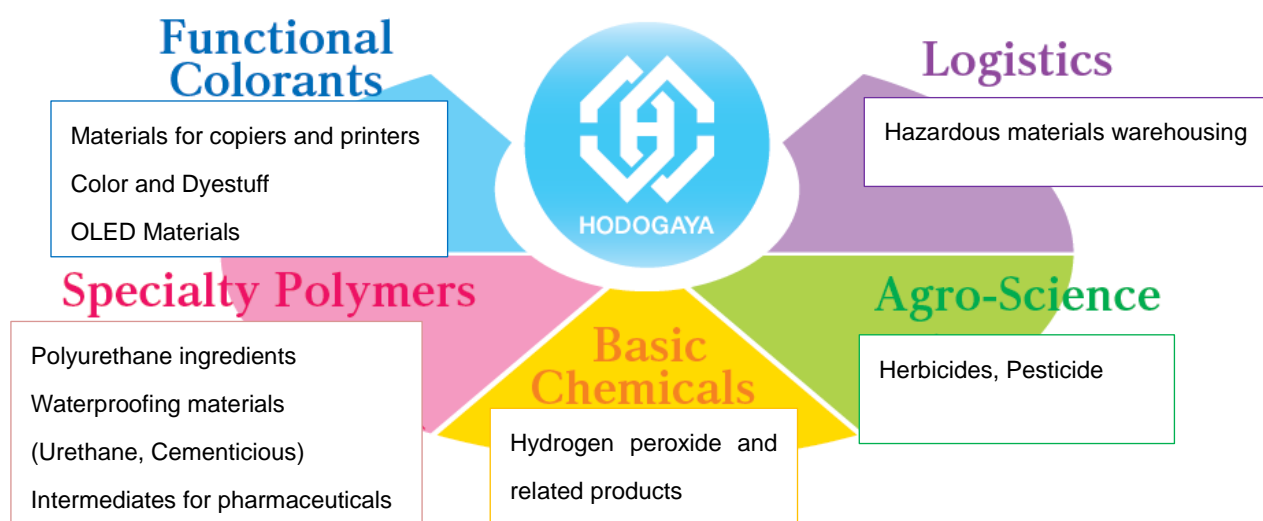
April 1 - September 30, 2021

Hodogaya Chemical Group: Management Philosophy

Through constant innovation of chemical technology, we will provide high-quality products and services throughout the world and contribute to the creation of an environmentally conscious society.

Business Overview

One of the things that make the Hodogaya Chemical group unique is that in each sector, whether it is Functional Colorants, Specialty Polymers, Basic Chemicals, Agro-Science, or Logistics, etc., there is a highly specialized group company. With Research & Development, Manufacturing, and Sales working together in a Trilateral Business Plan, we are able to meet the various needs of our customers quickly, and with products and service of the highest quality.



Second Quarter 2021 Consolidated Results (Millions of Yen)

	FY 2021 Second Quarter Results	Changes Gains/Losses
Net sales	20,329	+4.7%
Operating profit	3,361	+20.4%
Ordinary profit	3,498	+20.6%
Profit attributable to owners of parent	1,767	+41.1%

New Mid-term Management Plan

Management philosophy and new mid-term management plan “SPEED 25/30”

PURPOSE [Management Philosophy]

Through constant innovation of chemical technology, we will provide high-quality products and services throughout the world and contribute to the creation of an environmentally conscious society.

VISION [Target Corporate Image]

New mid-term management plan “SPEED 25/30” FY2021 – 2030

[VISION for the Mid-term Management Plan]

A corporation that contributes to establish a sustainable society by means of our original portfolio and environmentally friendly manufacturing, with a focus on specialty products

“SPEED 25/30” message and “FY2030 Ideal Figure” and “Target Figure through FY2025”

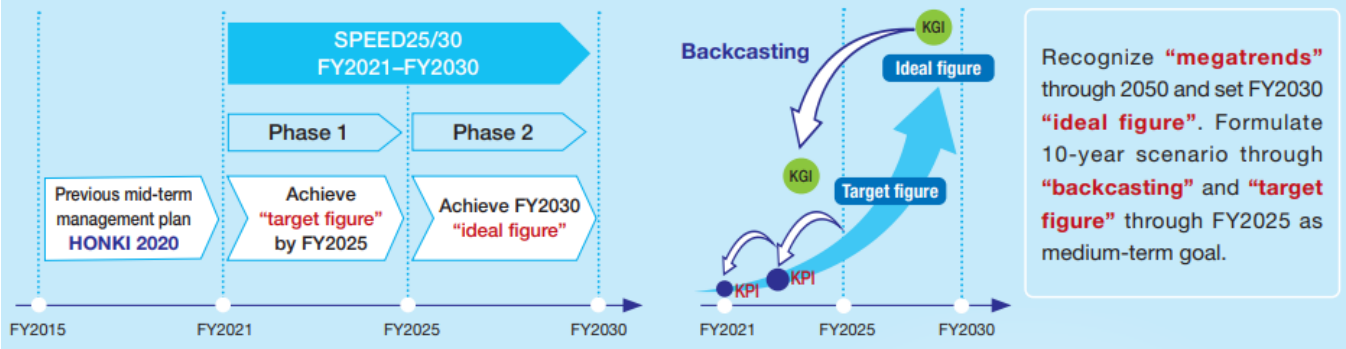
Mid-term Management Plan [FY2021 from FY2030]

“SPEED 25/30”

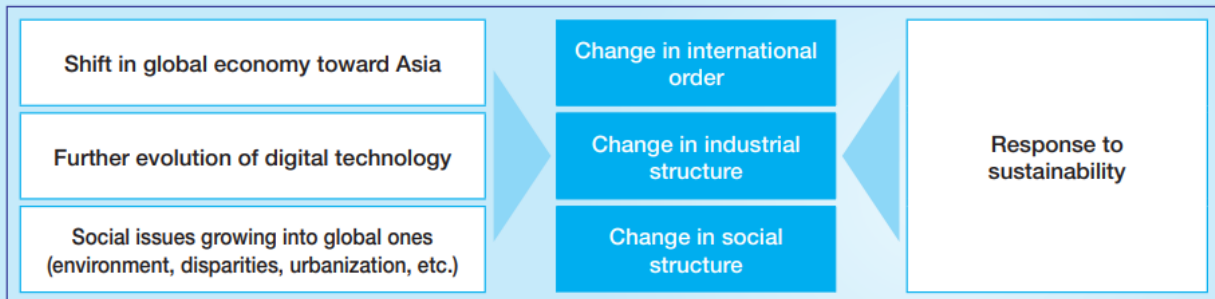
The Hodogaya Chemical Group will speedily transform itself to our "target figure" in FY2025 and to our "ideal figure" in FY2030, by means of:

- S : Specialty products that construct a
- P : Portfolio built up with great originality;
- E : Engagement improvement that contributes to
- E : ESG management promotion;
- D : Digital transformation-led competitiveness enhancement

◆ Position of and approach to formulating SPEED 25/30



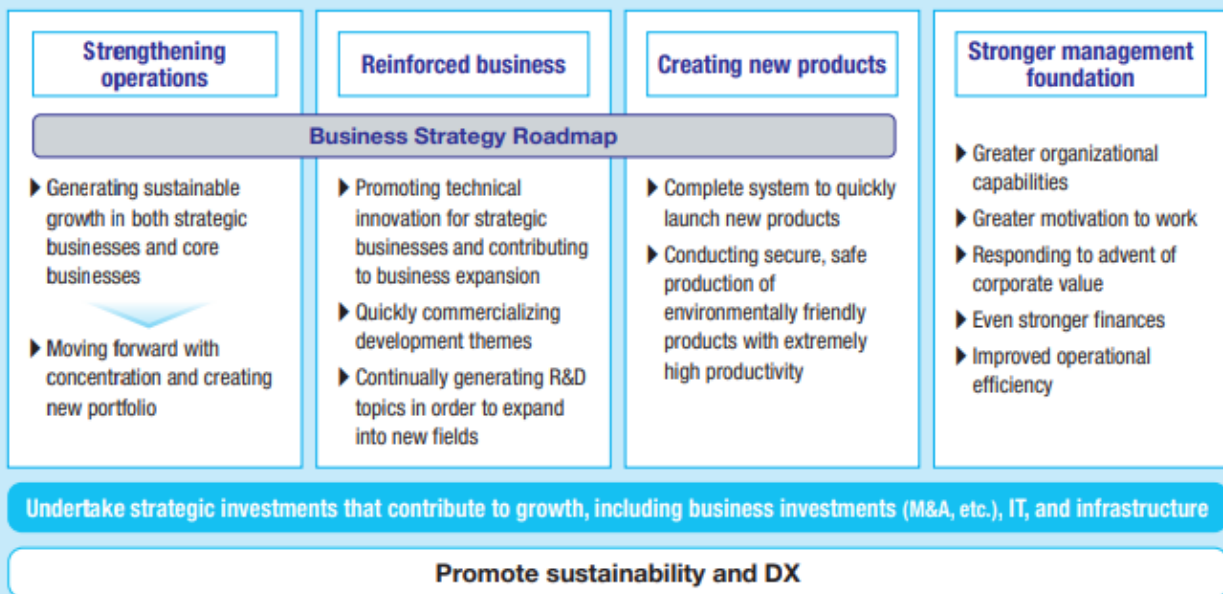
◆ Massive changes in the environment through 2050 (megatrends) and FY2030 ideal figure



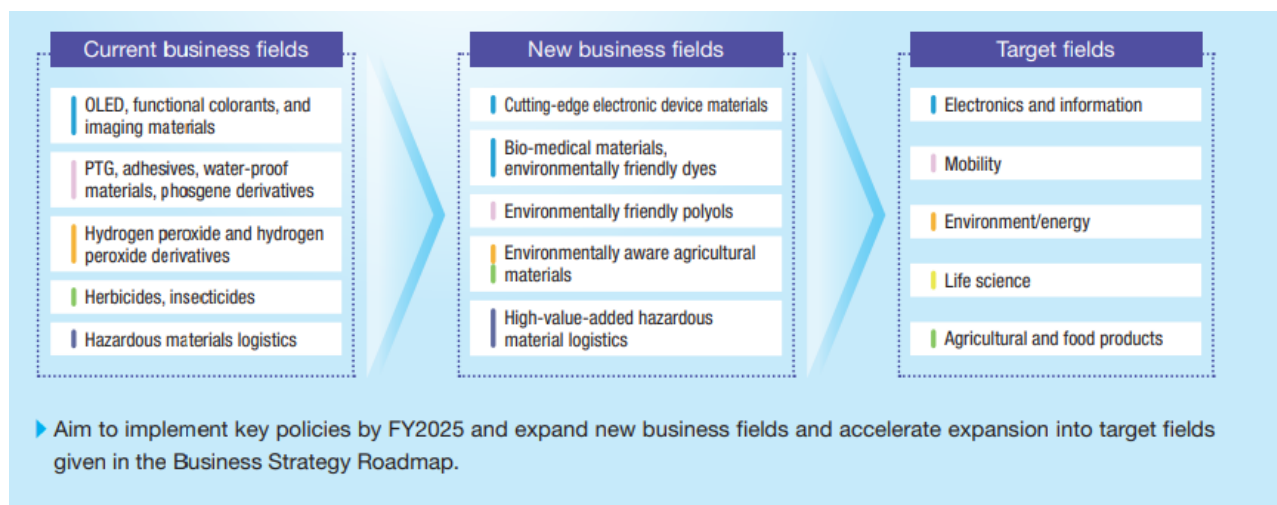
Ideal figures in FY2030	
Strengthening operations	A well-constructed business portfolio
Expanding our sphere of activity	Continuing to create new products for the global market
Higher efficiency	Achieving a high productivity
Employees' point of view	Improving job satisfaction
Social point of view	Contributing to the achievement of SDGs and realizing environmental friendliness
Shareholders' point of view	Maintaining a stable dividend for a long term

Promoting DX

◆ Hodogaya Chemical Group's "target figure to be achieved by FY2025"



Constructing a new business portfolio (illustrative)



Sustainability policy (basic approach)

The Hodogaya Chemical Group will actively promote sustainability activities based on the concept of "balancing the pursuit of economic interest and solutions to social issues and providing value to all stakeholders" in order to fulfill its responsibility to realize a sustainable world and society in the medium and long term in line with the management philosophy (PURPOSE) and target corporate image (VISION)

Governance

- Establish the Global Environment Subcommittee, which promotes activities related to environmental conservation and improvement, and TCFD Subcommittee, which promotes activities in response to TCFD proposal, as strategic response bodies under the Sustainability Development Committee.
- Report and deliberate on content of committee and subcommittee discussions to Board of Directors and Management Committee and work under integrated management.

Strategy

- Classify risks based on long-term forecasts with an eye toward 2030 into TCFD risk categories, move forward with climate scenario analysis of 2°C, etc., and examine the following regarding analysis results.
 - Risks: Response to both transition risks and physical risks
 - Opportunities: New efforts from the perspective of climate change mitigation/adaptation
- Establish the Global Environment Subcommittee, which promotes activities related to environmental conservation and improvement, and TCFD Subcommittee, which promotes activities in response to TCFD proposal, as strategic response bodies under the Sustainability Development Committee.

Risk management

- Regularly hold Risk Management Committee meetings, recognize and evaluate risks throughout the company, debate risk reduction measures, and report to Board of Directors and Management Committee
- Recognize climate-related risks as disaster risk
- Recognize risks and opportunities in line with methods used for climate scenarios, such as 2°C target, and examine concrete measures in order to respond to uncertainty of climate-related risks at TCFD Subcommittee

Target and indicators

- In addition to traditional initiatives, set targets that factor in the possibility of the use of renewable energy and CO₂ emission reductions through the introduction of ICP

Management Targets (Financial)

Financial target	FY2020 results*	FY2025 management targets
Net sales	¥41.1 billion	¥50.0 billion
Operating profit	¥5.4 billion	¥7.5 billion
Operating margin	13%	15%
ROE	8%	9%

* For FY2020, before applying Accounting Standard for Revenue Recognition, etc.

Management Targets (Non-financial)

Non-financial target	FY2020 results	FY2025 management targets
Energy intensity	0.637 kl/million yen of net sales	Expect to examine and disclose considering TCFD
CO ₂ emissions	1.1658 t-CO ₂ /million yen of net sales	Expect to examine and disclose considering TCFD
Industrial waste volumes	3,017 t	Reduce the volume of industrial waste
ESG evaluation score	2.3	3.7
Employees engagement score	Start to measure using outside services (FY2021-)	Gradually raise score
Percentage of managers who are women	11.2%	13%

Forecast for FY 2021

(Millions of Yen)

Net sales	40,000
Operating profit	5,000
Ordinary profit	5,000
Profit attributable to owners of parent	2,500

Overview By Business Segment

Functional Colorants

OLED Materials	Hole Transport Materials and other principal components of organic EL displays and lights.
Imaging Materials	CCA (Charge Control Agents), a critical component of toner. Materials for the OPC (Organic Photo Conductors) drums that are central to copiers and laser printers. Dyes for ink jet printers
Color and Dyestuff	Dyes for coloring aluminum, high-end stationery products and various inks. Hair Coloring Agents Colorants for processed foods and cosmetics, etc.

Specialty Polymers

Functional Polymers	Materials for clothing, automobiles, industrial components, leisure products, etc. Adhesive Release Agents
Construction Materials	Urethane waterproofing materials (for building and parking structure roofs, etc.) Cementitious waterproofing materials (for sewage facilities, water treatment plants, underground pits, etc.)
Specialty Chemicals	Intermediates for pharmaceuticals, agricultural chemicals, polymers, electronics materials, etc.

Basic Chemicals

Basic Chemicals (Hydrogen peroxide)	Bleaching agent for paper pulp, fibers and clothing, etc. Pollution treatment and other forms of environmental cleanup. Parasiticides for Farmed Fish
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Agro-Science

Agro-science	Herbicides, pesticides and growth control agents for crop fields, golf courses, green areas, etc.
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Logistics

Logistics	Hazardous materials warehousing
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CONSOLIDATED FINANCIAL STATEMENT
CONSOLIDATED BALANCE SHEETS

	MILLIONS OF YEN	
	2021 Mar. 31	2021 Sep. 30
ASSETS		
Total Current Assets	30,096	31,446
Total non-current assets	32,512	32,559
Total property, plant and equipment	22,645	22,732
Total intangible assets	245	245
Total investments and other assets	9,621	9,581
Total Assets	62,609	64,006
LIABILITIES		
Total current liabilities	11,783	11,964
Total non-current liabilities	7,171	6,584
Total Liabilities	18,954	18,548
Total shareholders' equity	32,362	33,886
Share Capital	11,196	11,196
Capital surplus	8,716	8,718
Retained earnings	14,119	15,637
Treasury shares	(1,670)	(1,665)
Total accumulated other comprehensive income	6,314	6,117
Non-controlling interests	4,977	5,453
Total net assets	43,654	45,457
Total liabilities and net assets	62,609	64,006

CONSOLIDATED STATEMENTS OF INCOME

	MILLIONS OF YEN	
	FY 2020	FY 2021
	Apr.1-Sep.30	Apr.1- Sep.30
Net Sales	19,420	20,329
Cost of sales	11,492	11,609
Gross profit	7,927	8,719
Selling, general and administrative expenses	5,134	5,358
Operating profit	2,792	3,361
Total non-operating income	242	230
Total non-operating expenses	134	93
Ordinary profit	2,900	3,498
Total extraordinary income	2	-
Total extraordinary losses	6	1
Profit before income taxes	2,896	3,496
Income taxes	664	873
Profit	2,231	2,623
Profit attributable to non-controlling interests	978	856
Profit attributable to owners of parent	1,252	1,767

STOCK (AS of September 30, 2021)

AUTHORIZED NUMBER OF SHARES

20,000,000

NUMBER OF COMMON SHARES ISSUED

8,413,726

NUMBER OF SHAREHOLDERS

6,904

MAIN SHAREHOLDERS (TOP 10 COMPANIES)

Shareholder	Number of Shares Held (Thousand)	Percentage of Shares Held (%)
The Master Trust Bank of Japan ,Ltd. (Trust Account)	846	10.7
Tosoh Corporation	700	8.8
Custody Bank of Japan, Ltd. (Trust Account)	662	8.4
Mizuho Bank, Ltd.	298	3.8
The Norinchukin Bank	227	2.9
UBS AG LONDON ASIA WQUITIES	171	2.2
Meiji Yasuda Life Insurance Company	164	2.1
The Toho Bank, Ltd.	148	1.9
Mitsui Sumitomo Insurance Co., Ltd.	141	1.8
The Yamaguchi Bank Ltd.	130	1.6

Treasury stocks (495 thousand shares) are not included in the above list.